

FCC Meeting on Verizon 272 Audit

I. Sampling Issues

A. The Use Of Samples That Are Too Small Or Inappropriate To Support The Inferences Drawn Therefrom

1. Bell Declaration, ¶¶ 37 (The sampling of customer representatives), 34 (transferred employees), 35 (services), and 36 (cash disbursements).
2. Cluster samples should be used sparingly, with the methodology modified and disclosed. The following information is essential in evaluating the validity of a cluster sample: the number of clusters in the population; the number sampled; the distribution of cluster size; how individuals were sampled from clusters; the number of individuals in the population; and the number of individuals sampled.

B. Better Documentation of the Audit Procedures.

1. More information about the population, sampling method and the sample.
2. For more complicated sampling procedures, more detailed information is needed. *See*, discussion of cluster samples above.
3. Documentation is particularly critical when the auditor deviates in any way from the Guidelines.
4. For judgment samples, it is critical to document the criteria used for sample selection.
5. For parity comparisons involving interval measures (*e.g.*, Tables 14a and 14c), the auditors need to report standard deviations, as well as means.

C. The Exclusion of Elements from the Sampling Frame

1. Samples repeatedly excluded part of the population from the sampling frame with no justification (*see*, Bell Decl. ¶¶ 26-29 and 31).
2. These samples cannot be expected to represent the part of the population that was systematically excluded from the sample. Consequently, the audit for each of the corresponding Procedures is incomplete.

D. Where The Auditor Should Have Studied the Whole Universe Instead of a Sample.

1. The auditors failed to adhere to audit procedures that required an examination of the entire population when evaluating Verizon's compliance with certain test criteria. *See*, Bell Declaration, ¶¶ 8-13, 26 (*E.g.*, examine all web sites and all fixed assets as required by Objective V and VI).
2. The audit plan should have, where it would not have been unduly burdensome, required an examination of the entire population at issue rather than a sample when assessing an entity's compliance with specified requirements.

II. Violations Identified in the Verizon 272 Audit Report

A. Performance Measures

Data show that Verizon has violated the nondiscrimination requirements: Tables 14a-14c.

- Average installation intervals for special access services
- PIC change intervals
- Percent Commitments Met

See, Bell Declaration, ¶¶ 43, 45 and 46.

B. Web Postings

40% of the Web-Postings were non-compliant. Failure to post in an accurate and timely manner.

C. Discrimination in the Procurement of Strike Services

D. Failure to Audit TSI or Unlawful Provisioning

III. Non-Statistical Issues

A. Performance Measures

1. The auditor going forward should use the JCIG Proposal in proceeding 01-321.
- Data should be disaggregated on a variety of levels, e.g., capacity level of service.
 - Data reviewed should be for longer than nine months

2. Auditor should compare special access services that the BOC has provided directly to “retail” customers versus that provided on a wholesale basis.

3. The auditor should investigate other discriminatory practices in making PIC changes, such as misuse of PIC freezes.

4. Include discrimination with respect to UNEs.

5. Require that all data provided be adequately verified.

B. Accounting to Identify Potential “Price Squeezes.”

C. Complaints

The auditor should conduct a more comprehensive search for complaints.

D. Provide Additional Information with the Audit Report

E. Expand the Scope of the Audit and Review Other Relevant Data

IV. Require A Supplemental Audit of Verizon

There should be a supplemental audit of Verizon on the following issues:

1. “Separate Officers, Directors and Employees”

(a) Further investigate the finding that “a Bell Atlantic corporate officer” appeared on both the BOC Board minutes and the Section 272 Affiliates Consents.

(b) Further investigate the finding that “Bell Atlantic’s earnings per share is a component of the financial portion of the annual bonus calculation” and review the related bonus calculations.

2. Recourse to BOC Assets: Obtain confirmations from all suppliers, lessors and loan institutions; the auditor obtained confirmations from less than half. *See*, Bell Declaration, ¶ 29.

3. Discrimination in the Provision of Goods and Services: Have analysis redone not limited to “Enterprise” customers. *See*, Bell Declaration, ¶ 31.

4. Performance Measures: The auditor should use the measures prescribed in the *General Guidelines*.